

# Icon Energy Limited

Quarterly Report Period ending 30 September 2011



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# THIRD QUARTER ACTIVITIES REPORT



Period ending 30 September 2011

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## Highlights

### Operations

- Stanwell Corporation Ltd (**Stanwell**) and Icon Energy Limited (**Icon Energy** or **Company**) have agreed to drill two coal seam gas wells (Windom-1 and Eolus-1) in the northern portion of the ATP 626P permit. Subject to securing a suitable drilling rig, the wells are scheduled for late 2011 / early 2012. A third well, North Maroon-1, designed as a combination coal seam gas and oil prospect, is also planned for late 2011 / early 2012.
- In August 2011, the ATP 849P joint venture (Icon Energy and Adelaide Energy) approved the commencement of a seismic programme in ATP 849P.
- The PEP 170 permit located in the Gippsland Basin is scheduled for the drilling of the Tiger-1 well in 2012, following landholder agreements, approval of the Operations Plan by the Department of Primary Industries (**DPI**) and the identification of a suitable drilling rig.

### Corporate and commercialisation projects

- In early August 2011, Icon Energy welcomed a Chinese Delegation led by Mr Zhang Zulin Director of Energy Bureau, Development and Reform Commission Guangdong Province. The delegation comprised of representatives from Shantou SinoEnergy Co. Ltd (**Shantou SinoEnergy**), Guodian South Corporation (**Guodian**) and the City of Shantou Nan'ao. The purpose of the delegation was to discuss and further progress the LNG Sales Agreement reached with Shantou SinoEnergy in March 2011.
- Since signing the LNG Sales Agreement with Shantou SinoEnergy on 29 March 2011, the Company is continuing to advance business and strategic initiatives to secure the necessary reserves required to meet that contract.
- Icon Energy and Beach Energy Ltd (**Beach Energy**) settled their dispute in relation to ATP 855P and entered into a Farmin Agreement under which Beach Energy is to acquire a 40% interest in ATP 855P, subject to Ministerial Approval.

### Financial

Icon Energy ended the 30 September quarter with a balance of \$14.26 million and 469, 301, 394 shares on issue.

### Subsequent Events

- ATP 849P seismic programme is currently waiting on landholder permission access for Terrex Seismic to carry out the 200 km 2D acquisition, scheduled for December 2011.

# Operations

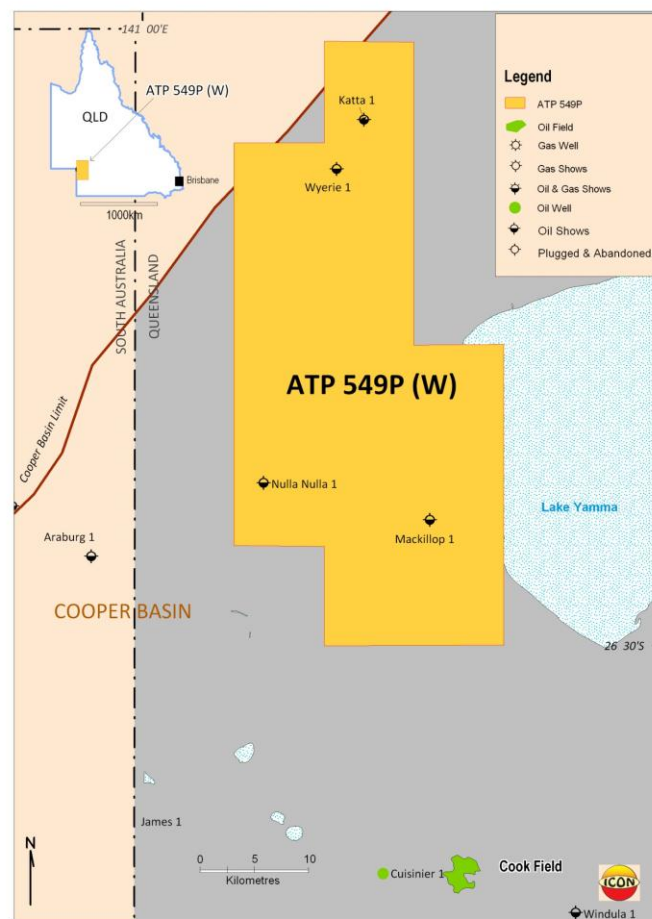
## Queensland – Petroleum Exploration – ATP 549P (West)

ATP 549P is located in the Cooper Basin in Queensland, near the Queensland and South Australia border. The tenement covers an area of 3,681km<sup>2</sup> and lies to the north of the Cook Oil Field.

Icon Energy holds a 33.33% working interest in the West block of the tenement. Icon Energy's interest in ATP 549P West is a farmin interest and not a title interest. The title to ATP 549P is held by Australian Gasfields Ltd (**AGS**). Refer to the map below for the location of the West Block and tenement.

Icon Energy and Drillsearch have recently been in discussions with AGS in relation to obtaining partial replacement tenure for the ATP 549P West area, or to agree the work programme that will be carried out across the whole of ATP 549P prior to the renewal date of the permit.

No operational activity has been undertaken in relation to this tenement during this quarter.



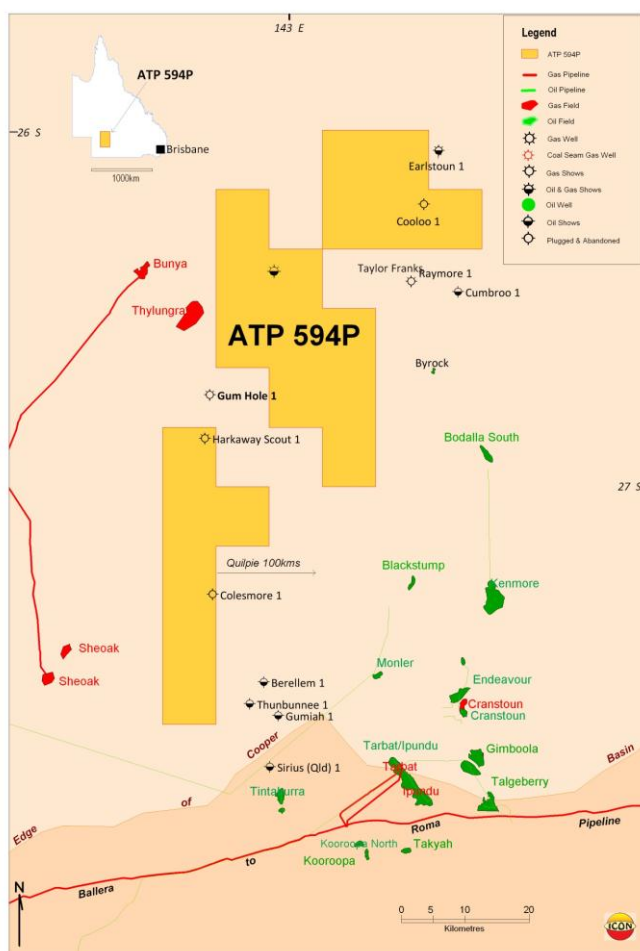
## Queensland – Petroleum Exploration – ATP 594P

ATP 594P is located near the township of Quilpie. The tenement covers three separate areas consisting of a total area of 1,538 km<sup>2</sup>. The area immediately adjacent to ATP 594P is resource rich in oil and gas. The Bunya Thylungra, Sheoak and Vernon gas fields are located to the west of the tenement. There are several oil fields located to the south-east of the tenement, including the Kenmore and Tarbat oil fields.

Icon Energy has a 50% working interest in ATP 594P. The Australian Securities and Investments Commission (**ASIC**) holds the other 50% interest in the permit as a result of the default by Icon Energy's joint venture partner. No work is planned for ATP 594P until ASIC / the joint venture partner addresses the default, or DEEDI agrees that Icon Energy may hold ATP 594P on its own.

No further work has been undertaken on this tenement since the Company's activities report for the Quarter ending 30 June 2011.

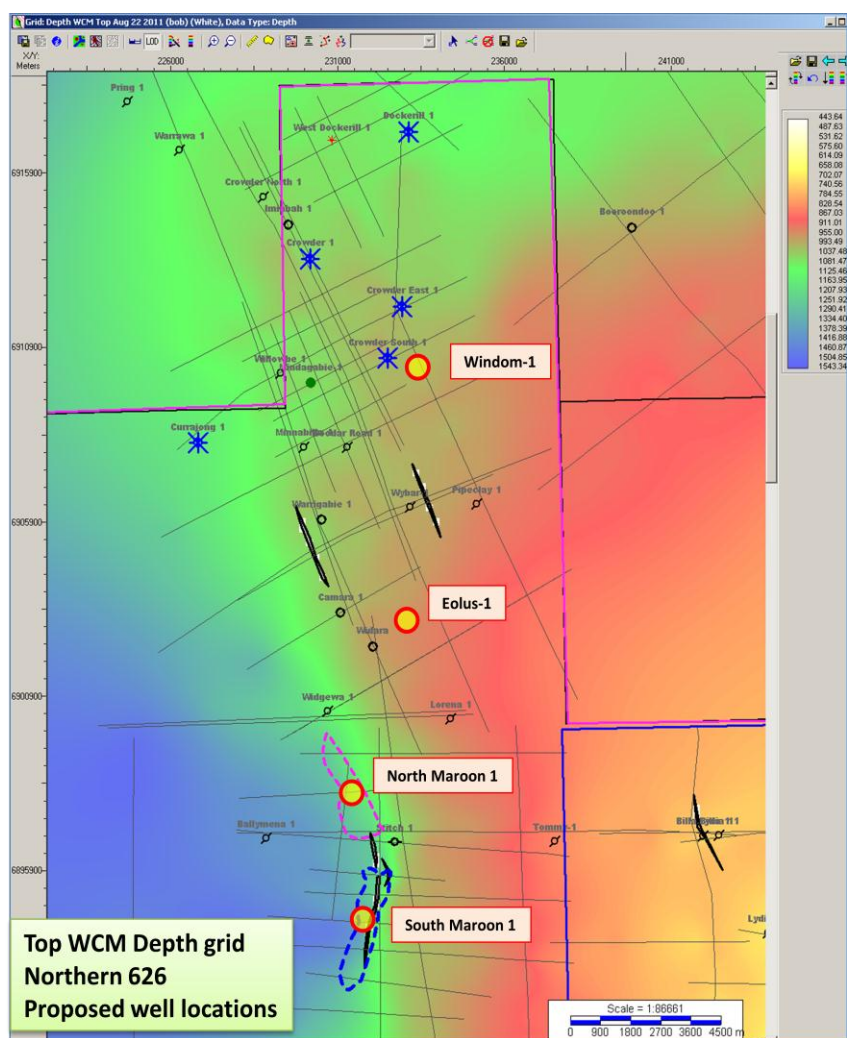
The map below delineates the permit and its location in the Surat Basin, Queensland.



## Queensland – Petroleum Exploration – ATP 626P

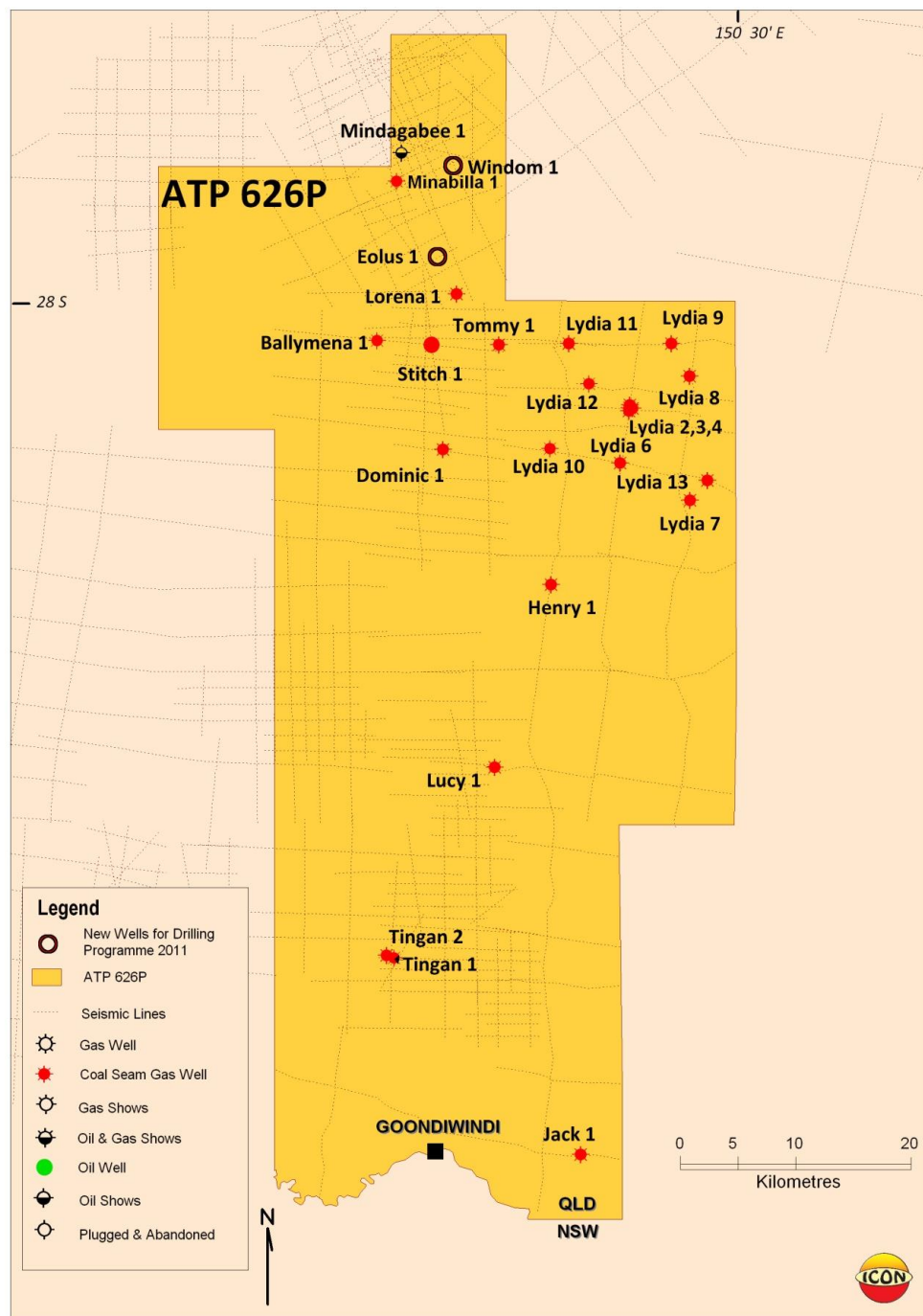
Stanwell and Icon Energy have agreed to drill two coal seam gas wells in the northern portion of ATP 626P (Windom-1 and Eolus-1). Currently, the wells are planned for the late 2011 or early 2012, subject to the availability of a suitable drilling rig. A third well, North Maroon-1, designed as a combination coal seam gas and oil prospect is planned to spud in late 2011 / early 2012. Upon a successful oil discovery at North Maroon-1 at least one appraisal may be drilled to assess oil volumes prior to a further oil exploration well.

The following map shows the location of the three proposed wells to be drilled in the northern portion of ATP 626P in late 2011 / early 2012. The South Maroon-1 well, if drilled, should commence exploratory drilling in 2012.





The following map delineates the operational activity to date and two of the proposed new well locations.

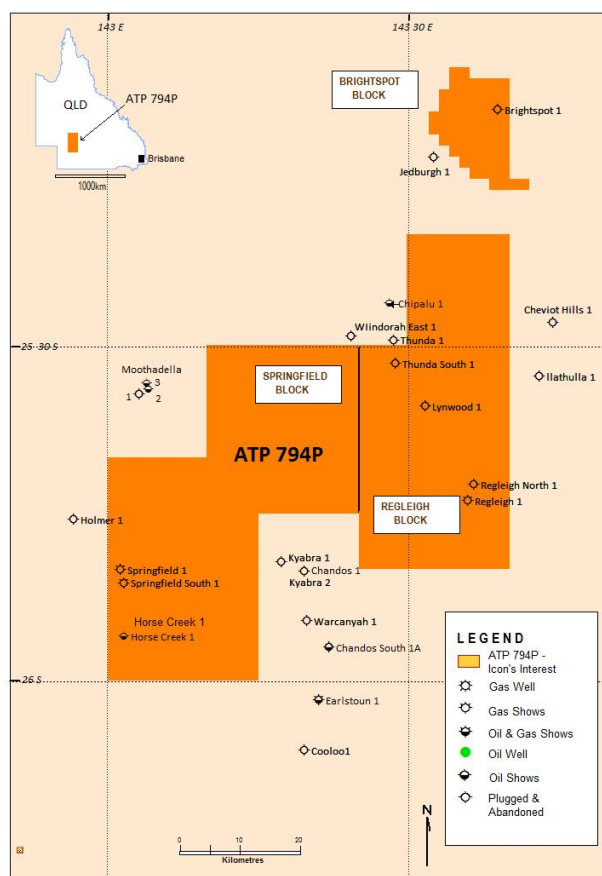


## Queensland – Petroleum Exploration – ATP 794P

ATP 794P is located north west of the town of Quilpie and is situated directly north of ATP 594P.

Icon Energy holds interests in the Brightspot, Springfield and Regleigh blocks in this tenement. However, the Company is not engaged in a programme for this block at present.

The map below delineates the permit and its location in the Surat Basin.



## Queensland – Petroleum Exploration – ATP 849P

In August 2011, the ATP 849P joint venture (Icon Energy and Adelaide Energy) approved the commencement of a seismic programme in ATP 849P. The seismic programme in ATP 849P will cover approximately 200 kilometres and will cross 33 land titles owned by 21 separate landholders.

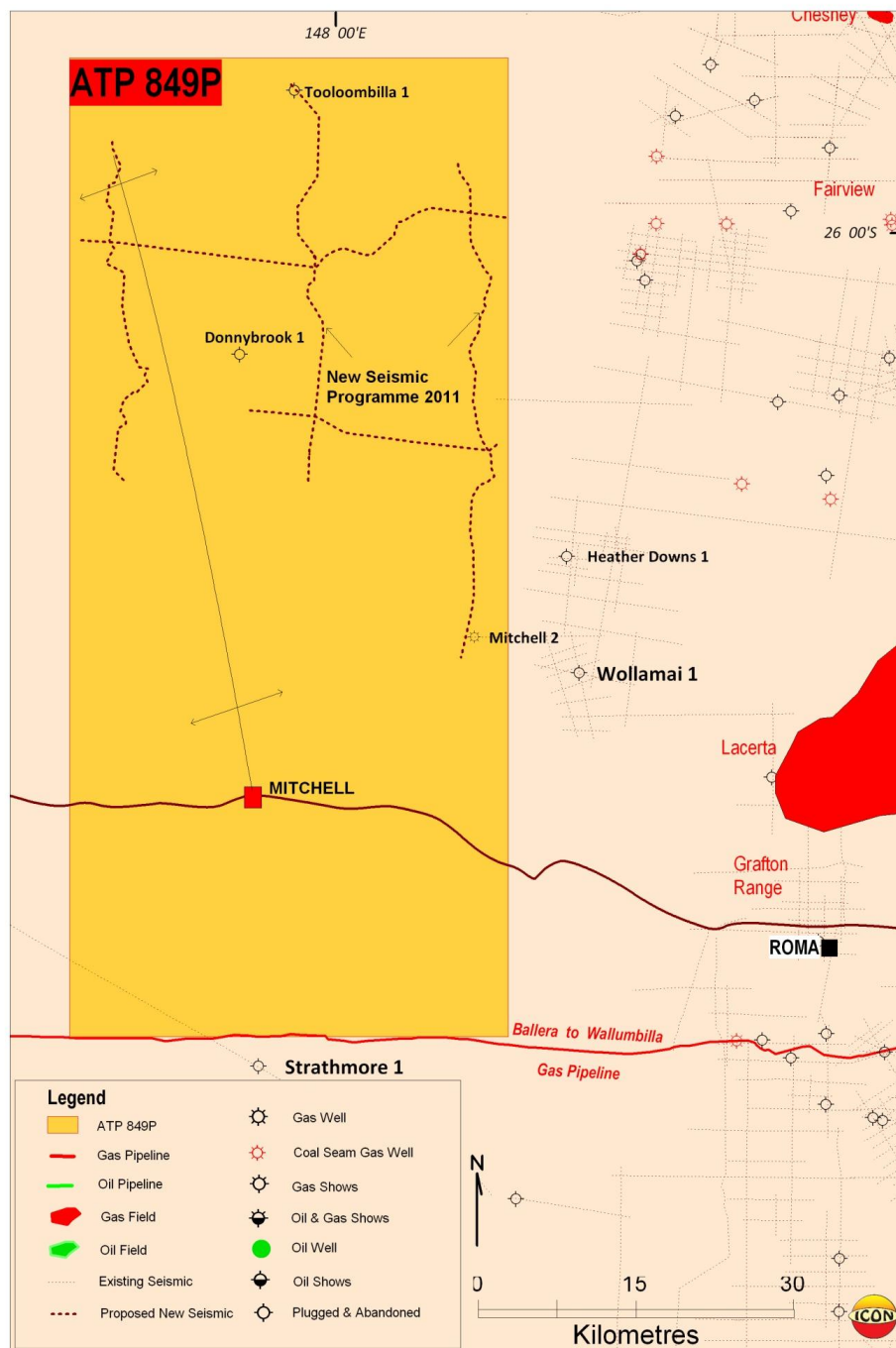
In the lead up to the commencement of the 2011 seismic programme in ATP 849P, Icon Energy has engaged in extensive consultation with members of the local community. This consultation has involved

correspondence with applicable landholders, the local government, and the State government (in relation to forestry areas).

This preparatory work commenced at the start of September 2011. Statutory notices of entry for the 21 landholders have been lodged with DEEDI, and are in the process of being served on landholders.

A Cultural Heritage Agreement was entered into between the ATP 849P joint venture parties and the Bidjara People in December 2009. The Bidjara People will be consulted with, and will attend at site, in order to provide cultural heritage clearances for all land affected by the 2011 seismic programme.

The map below delineates the location of the tenement and the new 2011 seismic programme.



| 30 September 2011



## Queensland – Petroleum Exploration – ATP 855P

The Federal Court proceedings between Icon Energy and Beach Energy in relation to ATP 855P were settled on 15 July 2011. On that same date, Icon Energy signed a Farmin Agreement with Beach Energy in relation to ATP 855P.

Pending DEEDI approval of the transfer from Icon Energy to Beach Energy, ATP 855P will be held as follows: Icon Energy 40%; Beach Energy 40%; Deka Resources 10% and Well Traced 10%. Deka Resources and Well Traced are both wholly owned subsidiaries of Adelaide Energy.

In August 2011, Beach Energy, as operator of ATP 855P, secured the Ensign #65 drilling rig to drill a horizontal pilot unconventional production well in ATP 855P. Beach Energy has stated that the Ensign #65 rig will arrive in Australia from North America in April 2012 and will be ready to commence drilling in ATP 855P by no later than June 2012.

The Ensign #65 rig:

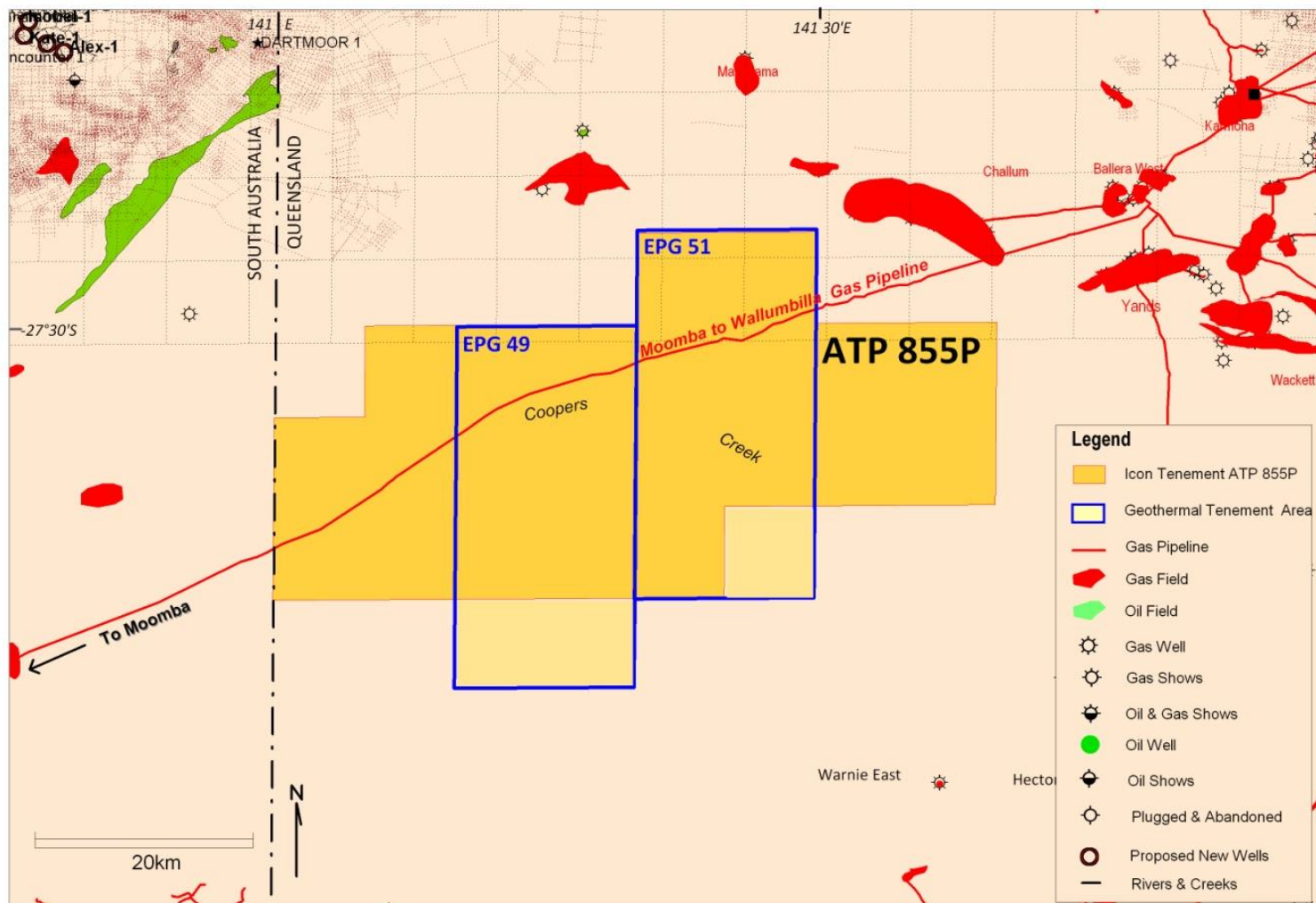
1. is a new build 1,500 horsepower rig out of Canada and the United States of America;
2. encompasses the latest proven technology being used for drilling horizontal wells in the Haynesville shale province in the United States of America; and
3. will be built to meet Australian standards and conditions and has the capability to drill 1,500 metre laterals from a depth of 4,000 metres.

ATP 855P is highly prospective area for oil, coal seam gas and for deep shale gas.

The independent United States Energy Information Administration's World Shale Gas Resources Report (**EIA Report**) published on 5 April 2011 significantly raised the potential Gas in Place (**GIP**) in the ATP 855P tenement. The EIA Report's "Initial Assessment of 14 Regions Outside the United States" has placed the shale gas resource potential in the Cooper Basin as a whole at 342 TCF of gas, with the recoverable equivalent at some 85 TCF.

Using the EIA's assessment, Icon Energy's internal estimates conservatively place the potential recoverable amount from ATP 855P at some 20 TCF.

The following map delineates the location of the ATP 855P tenement in the Cooper-Eromanga Basin (over which the 100% Icon Energy owned geothermal tenements, EPG49 and EPG51, lie).



## Queensland – Geothermal Exploration – EPG49 and EPG51

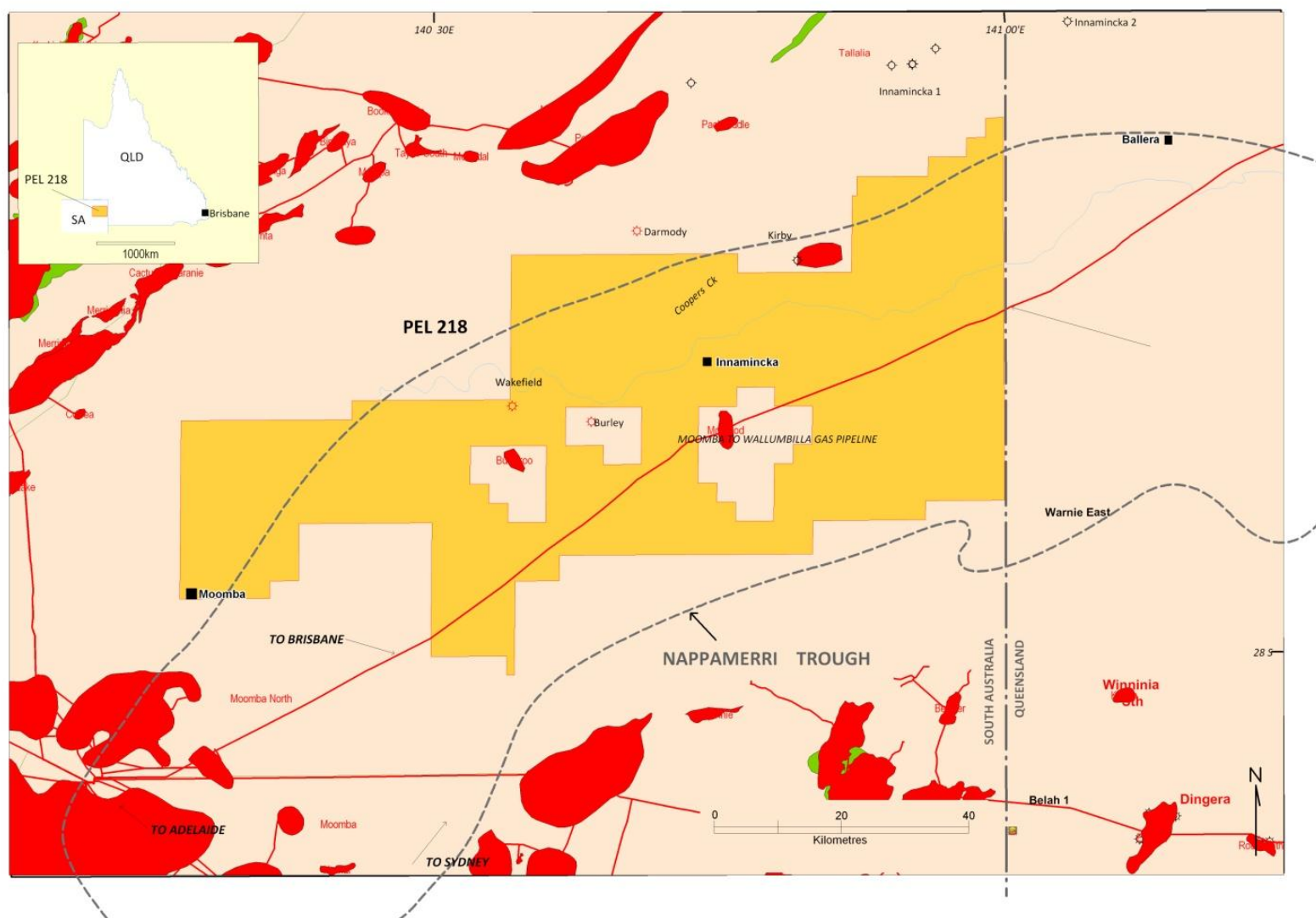
No further activity has been undertaken in relation to these tenements since the last report for the quarter ending 30 June 2011. The location of the tenements is delineated in the above map.

## South Australia – Petroleum Exploration – PEL218

Just across the Queensland / South Australian border from ATP 855P is South Australian permit PEL 218. Icon Energy holds an interest in the shallow, Post-Permian, portion of PEL218 and not in the deep Permian levels of PEL218.

No further activity has been undertaken in relation to the Post -Permian section of PEL 218 since the last report for the quarter ending on 30 June 2011. However, the operations being undertaken by Beach Energy and its joint ventures in the deeper sections of the tenement are being monitored by the Company with interest given their relevance to prospective operations in ATP 855P.

The following map delineates the location of the Post Permian section of PEL218.



## Victoria – Petroleum Exploration – PEP170

On 21 April 2011, Icon Energy submitted an Operation Plan for PEP170 to the Victorian Department of Primary Industries (**DPI**) as required by the *Petroleum Act 1998* (Vic).

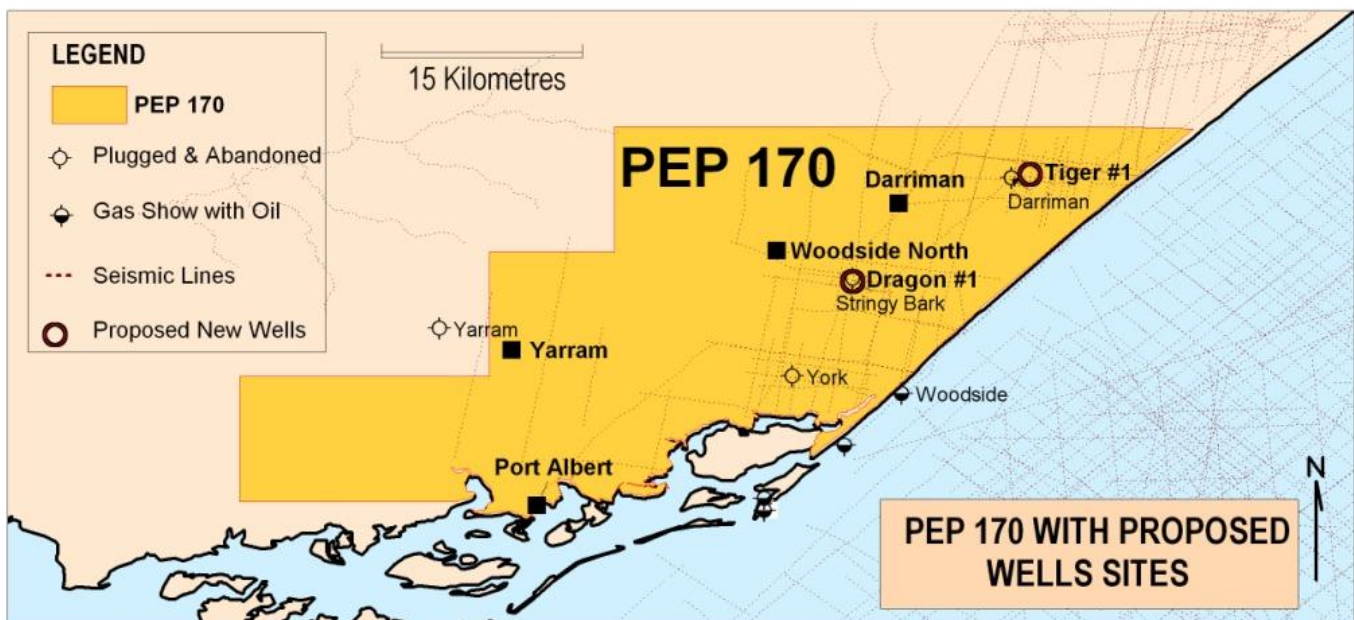
The Operation Plan:

- (a) identifies the risks that Icon Energy's proposed operation may post to the environment, to any member of the public, land or property in the vicinity of the proposed operation and to any petroleum, source of petroleum or reservoir that the proposed operation might affect;
  - (b) specifies what Icon Energy will do to eliminate or minimize those risks;
  - (c) specifies what Icon Energy will do to rehabilitate the land that will be affected by the proposed operation;
  - (d) seeks permission to conduct drill stem testing operations; and
  - (e) sets out any other matters required by the *Petroleum Act 1998* (Vic).
- Icon Energy is still awaiting approval from the DPI before it can commence operations in PEP170.

Icon Energy has identified two drillable gas prospects within the permit (Tiger-1 and Dragon-1). These prospects have the potential of addressing more than 1 TCF of in-place gas volume.

Currently a 200 kilometre 2D seismic acquisition programme is being designed by Icon Energy's exploration team as part of the terms and conditions requirement for the permit.

The map below delineates the location of the tenement in the Gippsland Basin, Victoria.



## **Corporate and commercialisation projects**

### **China LNG Project**

The Company continues to advance various business and strategic initiatives so as to secure the necessary reserves required to meet the LNG Sales Agreement.

## **Financial**

### **Cash position**

The Company ended the quarter with a cash position of \$14.26 million.

### **Shareholder base**

At 30 September 2011 Icon Energy had 469, 301, 394 shares on issue. The number of shareholders as at 30 September 2011 was 6556.

## **Planned forward programme next quarter**

- Commencement of seismic survey in the Surat Basin in ATP 849P.
- Drilling of two coal seam gas wells in the northern portion of ATP 626P or in early 2012 subject to securing a suitable drilling rig.
- Drilling of a combined coal seam gas and oil prospect or in early 2012, subject to securing a suitable drilling rig.

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